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UNCLAS SECTION 01 OF 02 HANOI 000114

SIPDIS

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STATE FOR EAP/MLS AND EEB/TRA  
STATE FOR EEB/TRA VIKI LIMAYE-DAVIS  
STATE FOR EEB/TRA/AN TERRI ROBL  
USTR FOR DBISBEE  
USTDA FOR STEINGASS, ROSSITER  
USDOC FOR 4430/MAC/ASIA/OPB/VLC/HPPHO  
SINGAPORE FOR FAA MARY WALSH

E.O. 12958: N/A

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SUBJECT: VIETNAM: AMBASSADOR MEETS MINISTER OF TRANSPORT

REF: (A) 2007 HANOI 1664 (B) HANOI 29

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11. (SBU) Summary: On January 29, the Ambassador met with Minister of Transport Ho Nghia Dung to promote an Open Skies Treaty, request GVN funding for the follow-on phases of the USDТА Aviation Safety Technical Assistance Project, and advocate for ratification of the Cape Town Convention on aircraft financing. The Minister told the Ambassador that the Civil Aviation Administration of Vietnam (CAAV) is in the early stages of developing a "roadmap" that would eventually lead to further discussions on Open Skies. He said the Ministry of Transport (MOTR) hoped to secure funding from the Ministry of Finance for the Safety Upgrade Project during the first half of 2008, and indicated that the GVN plans to ratify Cape Town. He also asked the Ambassador to help attract U.S. foreign direct investment to develop Vietnam's transportation infrastructure. End Summary.

12. (SBU) On January 29, the Ambassador paid a courtesy call on Minister of Transport Ho Nghia Dung. The MOTR, which oversees the road, rail, aviation and maritime sectors, has dozens of constituent agencies and organizations, including the CAAV, the Vietnam Maritime Administration (VINAMARINE), Vietnam Register, and the Vietnam Road Administration (VRA).

OPEN SKIES  
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13. (SBU) Under the accompanying Memorandum of Consultations to our 2003 bilateral Air Transport Agreement, the USG and GVN agreed to meet within four years to consider further expansion of commercial aviation opportunities for the airlines of each side. CAAV has not replied to the Embassy's September 17, 2007 Open Skies demarche (Ref A), and the Ambassador asked Minister Dung to consider further liberalization of Vietnam's aviation market. He noted that Open Skies would give Vietnam Airlines (VNA) fifth-freedom traffic rights between Japan and the United States on the carrier's planned Ho Chi Minh City-Osaka-Los Angeles route. Dung reaffirmed Vietnam's commitment to international economic integration and expressed support for Open Skies, but said that Vietnam's civil aviation market needs more time to develop.

14. (SBU) Nevertheless, Dung said the CAAV is in the early stages of developing what he called a "roadmap" that would eventually lead to further discussions on Open Skies. The Ambassador noted that it might be useful to begin exploratory discussions now since VNA

intends to begin direct service to the United States in late 2008 or early 2009. The Minister demurred but said the CAAV would provide us with a copy of the roadmap "later in 2008." The Ambassador noted that the existing Air Transport Agreement would expire in January 2009 if not extended.

#### USTDA AVIATION SAFETY TECHNICAL ASSISTANCE PROJECT

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15. (SBU) TDA provided grant funding for Phase I of a \$1.4 million, three-phase air safety upgrade project to help the CAAV obtain Category I status under the Federal Aviation Administration's (FAA) International Aviation Safety Assessment Program (IASA). The project, partially funded by Boeing, would permit direct access to the United States by Vietnam's air carriers. In May 2007, as the first phase neared completion, TDA asked the CAAV to provide funding toward the project's follow-on phases to demonstrate the GVN's overall commitment to the program. In late 2007, the CAAV promised to contribute \$50,000 toward the second phase (estimated to cost \$511,980) and hire at least two full-time flight operations inspectors.

16. (SBU) The Ambassador asked Minister Dung to expedite the funding, which the CAAV has yet to procure, and asked about the hiring of the flight operations inspectors. The Minister replied that the MOTR hoped to secure the \$50,000 from the Ministry of Finance during the first half of 2008 and noted the difficulty of obtaining funding within the Vietnamese Government. He assured the Ambassador that Vietnam intends to complete the follow-on phases. He also asked the Ambassador to convey a request to allow the CAAV's two flight operations inspectors to continue to work part-time as senior pilots for Vietnam Airlines (VNA). The Ambassador cast doubt on the idea, which contravenes International Civil Aviation Organization (ICAO) standards, but said he would pass the request to the FAA and TDA.

17. (SBU) The Ambassador pointedly noted that the CAAV should work to remain engaged on the project while awaiting funding if only to

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demonstrate that Vietnam is still interested in working with the TDA to complete the program. "We understand your implication and reiterate our determination to move forward," the Minister replied, adding, "We will accelerate the process as much as we can."

18. (SBU) The Ambassador also informed Dung that VNA's August 6, 2007 filing with the U.S. Department of Transportation for a foreign air carrier permit triggered an impending FAA safety audit of Vietnam's regulatory aviation safety posture tentatively scheduled to take place between April and June 2008. With just one of the three project phases completed, he noted that failure to secure a Category I rating could delay flights to the United States by two years or more. Minister Dung replied that the CAAV was "ready" for the assessment, expressed confidence that Vietnam would pass muster, and said that VNA was reluctant to wait until 2010 to begin direct service to the United States.

#### CAPE TOWN CONVENTION

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19. (SBU) Turning to the Cape Town Convention, a risk mitigation agreement on aircraft financing, the Ambassador noted that ratification would reduce financing costs on future aircraft deliveries to Vietnam's air carriers and trigger the release of \$24 million in deposits associated with the financing of four 777 aircraft by VNA. Approval would also raise VNA's international profile - critical as the state-owned airline prepares to equitize partly in early 2009 (Ref B), the Ambassador said. Dung implied that the GVN would ratify the Convention and said the document was currently making its way through the GVN's interagency process before landing on the Prime Minister's desk for signature. He mentioned the Ministries of Justice (MOJ), Planning & Investment (MPI), and Foreign Affairs (MFA) as critical to the process. The Convention does not require approval by Vietnam's National Assembly.

#### TRANSPORTATION DEVELOPMENT

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¶10. (SBU) Dung said the GVN would expand Hanoi's Noi Bai International Airport and build a second international airport in southern Vietnam to supplant Ho Chi Minh City's congested Ton Son Nhat International Airport. The new airport would serve 50-80 million passengers per year, he said.

¶11. (SBU) The Minister also asked the Ambassador to help increase U.S. foreign direct investment to develop Vietnam's transportation infrastructure, particularly roads, ports and maritime logistics. In response to the Ambassador's query, the Minister said the MOTR had yet to negotiate transportation build-operate-transfer (BOT) agreements with foreign investors but hoped to do so in the future, particularly with U.S. firms. He noted that the Ministry of Transport's web site lists projects that are open for investment.

MICHALAK